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TAGS: [PGOV](#) [PHUM](#) [SOCI](#) [RS](#)
SUBJECT: SIBERIA SHOWS SUCESS, FAILURE OF APPOINTED
GOVERNORS

Classified By: Acting Political M/C Robert Patterson. Reason: 1.4 (d)

¶1. (SBU) SUMMARY. The fate of two regions, Irkutsk Oblast and Krasnoyarsk Kray, encapsulates the success and failure of Putin's system of appointing governors. In Irkutsk, Putin appointee Aleksandr Tishanin failed to consolidate the regional elite and resigned in disgrace for "personal reasons" in April following an ugly fight with the legislature over the regional budget. Few have much hope for his successor -- Igor Esipovskiy -- who is also an "outsider" seen as lacking the requisite political heft to challenge the regional financial-industrial groups, linked to powerful Moscow business interests. The fecklessness of the Irkutsk governors compares unfavorably with the successful administration of Aleksandr Khloponin in Krasnoyarsk, whose close relations to the Kremlin allowed him to corral the local elite and secure funding from the center, leading to unprecedented political stability and economic growth. Krasnoyarsk has eclipsed Irkutsk as the "capital" of Siberia and is poised to consolidate its position as the dominant region in that resource rich area. During our June 23 - 24 visit, some voiced concern that Krasnoyarsk's political stability is built on a less than secure footing, especially with the maneuvering around Norilsk Nickel, but none expected a return to the "aluminum" wars that had wracked the region in the 1990s. END SUMMARY

Tishanin's Failures

¶2. (C) While few were surprised that Tishanin had to go, the timing of his resignation -- only a few weeks before Medvedev's inauguration -- caught some of our regional contacts off guard. Sergey Levchenko, the head of the Communist Party faction in the local legislature, voiced a common complaint that dismissed Tishanin as a "stranger" loyal to Moscow, with little sense of the region's needs. Levchenko pointed to the budget crisis, in which both Tishanin and the legislature deadlocked, then ultimately promulgated their own budgets, as evidence of the former governor's inability to come to terms with the regional elite. At its core, the fight was over the allocation of funds from the sale of shares in Verkhnechonskneftegaz (VChNG). Tishanin had reserved those monies, totaling around \$28 million, for a regional development fund. As such, he alone had authority for its disposition and he used the money for renovating regional churches, launching sports programs and, according to analyst Oksana Goncharenko of the Moscow-based Center for Current Political Events, financing United Russia's election campaign. The regional legislative assembly in its turn refused to pass a budget that did not include those funds. Tishanin issued his own budget, but was embarrassed when the local prosecutor ruled that his activities were illegal: according to the constitution he could only reject or accept the legislature's budget.

¶3. (C) Oleg Voronin of Irkutsk State University, an observer

on regional politics for the Moscow Carnegie Center, described Tishanin's problems as an integral part of a broader competition for assets and influence among the regional elite, backed by Moscow-based financial-industrial groups. Tishanin, whose wife is the sister of Russian Railways head Vladimir Yakunin, was seen as representing the interests of his brother-in-law (who is reported to have influenced Putin to appoint Tishanin), as well as those of Rosneft and Gazprom. He reversed his predecessor's decision on the disposition of VChNG to oil company TNK and awarded part of it to Rosneft. His decision put him at odds with legislative assembly chairman Viktor Kruglov, who Voronin described as linked to TNK's Viktor Vekselberg. Kruglov was unable to stop Tishanin from transferring control over VChNG to the state corporation, but he used the budget issue to undermine his opponent.

¶4. (C) Voronin noted that Tishanin himself had been his own worst enemy, at least in his management of relations with the Kremlin. Voronin said that the governor did not show up for a regional economic exhibition in Vienna, leaving the Russian Ambassador to Austria holding the bag. More serious, he failed to appear for a five-minute meeting with Putin at the St. Petersburg economic forum. Ultimately, Putin and even Yakunin had come to the conclusion that Tishanin's appointment had been a mistake. Tishanin was "encouraged" to step down, ostensibly for personal reasons, and has not yet been assigned a new position.

Esipovskiy - The New Varangian

¶5. (C) Putin appointed Igor Esipovskiy as "acting governor"

on April 15, once again picking an outsider with close ties to one of Moscow's financial-industrial groups. Esipovskiy had served as the president and general director of the Avtovaz company in Samara Oblast -- a major asset controlled by Putin pal Sergey Chemezov's Rosoboroneksport. According to Aleksey Petrov of the regional Open Russia office, Esipovskiy first focused on removing Tishanin's cronies from positions of power, and replacing many of them with members of Tishanin's predecessor's team. Indeed, Esipovskiy took a special trip to Mongolia where former governor Golovin serves as Russia's ambassador: a move seen as an effort to align himself with the old guard. He also sought to patch up relations with the legislative assembly by signing the budget.

¶6. (C) Thus far, Esipovskiy remains an enigma for the Irkutsk elite. Levchenko complained that the "acting" governor has not yet met with his faction, while Dmitriy Lyustritskiy, deputy editor of the regional newspaper Vostochno-Sibirskaya Pravda, commented that he has held no press conference with the regional media. Lyustritskiy commented that a lack of information has fostered a host of rumors, including questions about Esipovskiy's future as the "real" governor. (Esipovskiy cannot be officially nominated as governor until after elections to the regional legislature this October. Owing to the change in the Irkutsk Oblast configuration from the assimilation of the Ust-Orda Buryat Autonomous Okrug, the legislature has lost its mandate as fully-functioning body.) Some suggest that the Kremlin will appoint somebody else to the position after the October elections. In part, Esipovskiy's refusal to give up his position as a Duma deputy -- he was elected as a United Russia deputy in December 2007 -- has been interpreted as evidence that even Esipovskiy himself has doubts about his chances. One name that came up often as a potential rival was Sergey Sokol, who Esipovskiy recruited from Krasnoyarsk to serve as First Deputy Governor. Sokol has a reputation as a capable administrator and is reputed to have close ties to Krasnoyarsk governor Khloponin.

¶7. (C) The Chair of United Russia's regional executive committee Natalya Dengina dismissed rumors about Esipovskiy and offered her assurances that he would become the next governor. Indeed, United Russia picked the "acting" governor to head the party's list for the December elections and his picture enjoys a place of prominence on Dengina's office

wall, along with Medvedev and Putin. Voronin also scotched rumors of an alternate candidate for governor, if only because the Kremlin does not want to look foolish in appointing Esipovskiy as "acting" governor.

Krasnoyarsk - Comparatively, An Island of Stability

18. (C) At first glance, Krasnoyarsk Kray appears to be a larger version of Irkutsk Oblast with a similar abundance of resources and the involvement of major financial-industrial groups. Indeed, when asked about current political stability, all of our contacts reminded us that during the 1990s Krasnoyarsk was riven by inter-elite fighting for resources during the bloody "aluminum wars." However, under the leadership of Aleksandr Khloponin, the regional elite has put that behind them.

19. (C) Even those who had lost the most, such as Speaker of the regional legislature and leader of the United Russia faction Aleksandr Uss, had positive words for Khloponin and emphasized the benefits of his administration. Uss, a former professor of law and, in his own words, an accidental politician, was once seen as potential contender for governor's when there were direct elections. Now, he sings the praises of Khloponin's successes in, for example, garnering federal funding for a new heart center and a pre-natal care hospital; gaining Moscow's approval for the establishment of the new Federal Siberian University; and having the vision for the region, as evidenced by his ambitious plan for a 2020 international exhibition in the region. Uss described his vision of the political environment as a "family" -- in which United Russia represented the elite, but maintained comradely relations with other parties. (He noted that he had initially hesitated to join the party, but took the plunge three years ago and was happy with his decision.)

19. (C) Contacts outside the government concurred with those assessments of political stability. Television host and journalism teacher Sergey Kim dismissed out of hand any "tremors" in the political system and underscored the population's general satisfaction with Khloponin's efforts. Sociologist Irina Muratov, whose firm "East Siberia" does both political and marketing polls, said that her research showed broad support for the governor and underscored that he was now considered "ours," rather than an outsider. (Like

Tishanin and Esipovskiy, Khloponin was appointed from outside the Krasnoyarsk political system.) Viktor Isaev, of the Independent Information Agency, noted that Khloponin had come into office with a plan, set clear goals -- such as the unification of the region with the Envenk and Tamyr Autonomous Regions. Five years later, those goals had been met and Khloponin continued to push new objectives for economic and political development.

110. (C) Political stability has fostered economic growth, leading to a growing confidence that Krasnoyarsk Kray is destined to secure its position as the Siberian capital. Isaev praised Khloponin for reading the signals from Moscow concerning the creation of "macro-regions," seeing Krasnoyarsk -- the only "donor region" (meaning that it provides more resources to the Federal budget than it receives) in the neighborhood -- as the natural leader. Uss smugly implied that the decision to build the Federal Siberian University in Krasnoyarsk, rather than the traditional academic centers of Tomsk or Novosibirsk, signaled a recognition from Moscow of Krasnoyarsk's rising star. As such, the region would be better positioned to attract the best and brightest of Siberia's youth at the expense of the other regions.

Problems? What Problems?

111. (C) Most of our contacts thought that rising prices, media freedom, and migration, most of our contacts thought

that rising prices, lack of media freedom and migration would have little influence on the regional political and economic trajectory. Muratov said that the urban population sees little to get worked up about over the inflation issue, which she says does not even register at the top of peoples grievances when polled. Instead, they tend to be concerned about "everyday" issues, like trash pickup or cleaning the city. Uss explained away the inflation problem as far less critical for Krasnoyarsk, than for neighboring regions. He argued that the higher wages paid in Krasnoyarsk mitigated public concern, although he admitted that housing prices continued to bedevil the administration's plans to control prices. He noted that the region planned to sell its 40 percent stake in the gasoline distribution company Krasnoyarsknefteprodukt to Rosneft in exchange for "preferences" for regional fuel needs, thereby creating some insurance against rising oil prices.

¶12. (C) Uss similarly dismissed worries about the labor supply, explaining his vision of a more modern agricultural system providing a pool of labor for the ambitious industrial projects -- a "third wave" of industrialization for the region. Noting concern that Krasnoyarsk provided a final "bulwark" against Chinese encroachment, Uss saw a risk in bringing in more migrants from China. To strengthen the qualifications of "Russian" workers, he identified the main challenge as providing training for former rural workers to prepare them for work in the cities. He proudly reported that the region had passed a milestone in 2007, in which population gains (births and immigration) were greater than losses.

¶13. (C) Only Mark Denisov, the regional Ombudsman for Human Rights, raised the specter that even Khloponin's political future was rested on a soft foundation. Denisov noted that the current maneuvering over control of Norilsk Nickel could change the balance of power within the region, particularly if Aluminum magnate Oleg Deripaska ends up controlling the mining giant. Further the state oil and gas companies, Rosneft and Gazprom, are only marginal players at this time but Denisov (and others) expect them to become much more influential over the next 3-4 years. As such, the political landscape is expected to change and could challenge Khloponin's ability to act as arbiter.

Comment

¶14. (SBU) The issue of appointing, rather than electing, governors has become an issue of controversy in Moscow, following the call by Tatarstan President Mintimer Shaymiev to return to elections for picking regional leaders. The experiences of Irkutsk and Krasnoyarsk illustrate the varying results of Putin's regional policy. For Krasnoyarsk, the appointment of a strong, well-connected leader with the ability to bring home the Federal bacon for his region has created conditions for economic growth and political stability that his democratically elected predecessors failed to achieve. Indeed, it seems that only an outsider without a "dog in the fight" among the groups could have assumed the role of impartial arbiter among the competing elites. The

Irkutsk experience shows the risks involved when the selection process is influenced by the players themselves and suggests that there may be problems finding strong candidates from the Kremlin's rather limited bench.

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